



Janice K. Brewer, Governor  
Anthony D. Rodgers, Director

***Our first care is your health care***

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM

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February 11, 2009

Steven Rubio, MGA, BSN, RN  
Project Officer, CMS Division of State Demonstrations and Waivers  
Center for Medicaid and State Operations  
Mailstop: S2-01-16  
7500 Security Blvd.  
Baltimore, Maryland 21244-1850

Dear Mr. Rubio:

The State is requesting to amend STC 38(e) of the § 1115 Waiver to update the premium fee schedule for parents of children in the State Children's Health Insurance Program, known as KidsCare in Arizona. In response to budget reductions passed by the Arizona Legislature as part of the 2009 Legislative Special Session to address Arizona's significant budget shortfall, AHCCCS seeks to increase premiums subject to CMS approval.

Because the State is merely amending existing premiums, the changes do not constitute any modifications in eligibility standards or procedures that would further restrict eligibility in the SCHIP program.

As of May 1, 2009 and upon CMS approval, parents of children in KidsCare will be assessed monthly premiums for the entire household unit as follows:

Income Level	Monthly Premium per Household
100%-150% FPL	3% of net household income
151%-175% FPL	5% of net household income
176%-200% FPL	5% of net household income

Attached you will find a copy of the revised STC 38(e) and budget for your review. A copy of the public notice to members is forthcoming and will also be posted on the AHCCCS website as soon as it is available. If you have any questions please call Theresa Gonzales at (602) 417-4732.

Sincerely,

Monica Coury  
Assistant Director  
Office of Intergovernmental Relations

cc: Ron Reepen  
Tonya Moore

package.

- i. Uninsured parents receive the adult AACP benefits package.
- ii. Enrollees in the ESI program will receive the benefit package available through the employer-sponsored insurance product. Wrap-around services are not provided

**e. HIFA Cost Sharing.**

- i. As of October 1, 2006, adults without dependent children follow all AHCCCS cost sharing rules per paragraph 33(d). The State may choose to implement the following co-payments for adults without dependent children:
  - 1. Generic prescriptions or brand name prescriptions if generic is not available - \$4;
  - 2. Brand name prescriptions when generic is available - \$10;
  - 3. Non-emergency use of emergency room - \$30; and
  - 4. Physician office visit - \$5

The State will notify CMS in writing at least 60 days prior to implementation of these co-payments and include documentation of public notice per paragraph 16.

- ii. Parents are subject to cost-sharing for:

- 1. Non-emergency use of the emergency room- \$1,
- 2. Enrollment fees between \$15-\$25, and
- 3. Premiums between 3-5% of net household income. <sup>\*</sup>

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- iii. Arizona must submit a revised allotment neutrality budget and documentation of public notice before implementing a change in premiums for parents. The revised budget and public notice documentation must be submitted to CMS 60 days prior to implementation
  - iv. Enrollees in the ESI program will have cost sharing set by their employer-based coverage.
- f. HIFA Enrollment Data.** Each quarter, the State will provide CMS with end of quarter actual and unduplicated ever-enrolled figures. These enrollment data will be entered into the Statistical Enrollment Data System within 30 days after the end of each quarter. The data will also be referenced in the quarterly reports described in paragraph 26. Arizona will report each demonstration population on a separate 21W form in SEDS as long as the State is claiming title XXI for each population. Arizona will use the sub-category “Other adults covered in demonstration” to report adults without dependent children enrollment, and Arizona will use the sub-category “Parents/Caretaker relatives (not Medicaid eligible)” to report parent enrollment. In addition, the State will provide monthly enrollment data as specified by CMS in the monthly Eligibility and Enrollment Reports.
- g. Funding.** The State will establish a monitoring process to ensure that expenditures

	100%-150% FPL	151%-175% FPL	176%-200% FPL
Premiums (October 1, 2006 through December 31, 2006)	\$15/mo - one parent \$30/mo – two parents	\$20/mo – one parent \$40/mo – two parents	\$25/mo – one parent \$50/mo – two parents
Premiums (effective January 1, 2007)	3% of Net Household Income	4% of Net Household Income	5% of Net Household Income
Enrollment Fee	\$15	\$20	\$25
Deductibles	None	None	None
Co-payments	None	None	None
ER Co-pays	\$1 if no emergency	\$1 if no emergency	\$1 if no emergency

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\* Premiums include coverage for children in the household.

CMS Title XXI Template FFY08 - FFY11

SCHIP Section 1115 Waiver Budget Template

Arizona AHCCCS Program	FFY 2008	FFY 2009	FFY 2010	FFY 2011	Sub - Total FFY 08 to FFY 11
State's allotment (See Assumptions Below)	\$142,956,800	\$171,200,000	\$171,200,000	\$171,200,000	\$656,556,800
Funds carried over from prior year(s)	\$32,717,300	\$56,307,200	\$116,185,300	\$169,539,500	\$32,717,300
SUBTOTAL (allotment + funds carried over)	\$175,674,100	\$227,507,200	\$287,385,300	\$340,739,500	\$689,274,100
Retained/Redistributed Funds (currently available)					\$0
TOTAL (Subtotal + redistributed funds)	\$175,674,100	\$227,507,200	\$287,385,300	\$340,739,500	\$689,274,100
State's enhanced FMAP rate	76.34%	76.04%	76.03%	76.03%	
<b>COST PROJECTIONS OF APPROVED SCHIP PLAN</b>					
<b>Benefit Costs</b>					
Per Member/Per Month Cost	\$155.35	\$157.99	\$166.60	\$176.47	\$164.26
Annual Enrollees	777,787	762,835	777,574	809,522	3,127,718
<b>Total Benefit Costs</b>	\$120,827,100	\$120,517,500	\$129,546,800	\$142,859,100	\$513,750,500
(Offsetting beneficiary cost sharing payments)	(\$7,295,400)	(\$9,386,800)	(\$12,686,000)	(\$13,207,300)	(\$42,575,500)
<b>Net Benefit Costs</b>	\$113,531,700	\$111,130,700	\$116,860,800	\$129,651,800	\$471,175,000
<b>Administration Costs</b>					
Personnel					
General administration					
Contractors/Brokers (e.g., enrollment contractors)					
Claims Processing					
Outreach/marketing costs					
Other					
<b>Total Administration Costs</b>	\$9,643,800	\$7,377,600	\$7,628,800	\$7,819,600	\$32,469,800
10% Administrative Cap	\$12,614,600	\$12,347,900	\$12,984,500	\$14,405,800	\$52,352,800
Federal Share	\$94,032,200	\$90,113,700	\$94,649,400	\$104,519,500	\$383,314,800
State Share	\$29,143,300	\$28,394,600	\$29,840,200	\$32,951,900	\$120,330,000
<b>TOTAL COSTS OF APPROVED SCHIP PLAN</b>	\$123,175,500	\$118,508,300	\$124,489,600	\$137,471,400	\$503,644,800
<b>COST PROJECTIONS OF SCHIP DEMONSTRATION PROPOSAL</b>					
<b>Benefit Costs for Demonstration Population #1 (e.g., non-categoricals)</b>					
Per Member/Per Month Cost	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Annual Enrollees	-	-	-	-	-
<b>Total Benefit Costs for Waiver Population #1</b>	\$0	\$0	\$0	\$0	\$0
<b>Benefit Costs for Demonstration Population #2 (e.g., SCHIP Parents)</b>					
Per Member/Per Month Cost	\$257.97	\$267.07	\$284.85	\$303.11	\$277.71
Annual Enrollees	141,593	119,410	121,047	126,010	508,061
<b>Total Benefit Costs for Waiver Population #2</b>	\$36,526,800	\$31,891,000	\$34,480,300	\$38,194,700	\$141,092,800
(Offsetting beneficiary cost sharing payments)	(\$5,934,700)	(\$6,203,300)	(\$6,644,700)	(\$6,916,700)	(\$25,699,400)
<b>Net Benefit Costs for Waiver Population #2</b>	\$30,592,100	\$25,687,700	\$27,835,600	\$31,278,000	\$115,393,400
<b>Net Benefit Costs for both waiver populations</b>	\$30,592,100	\$25,687,700	\$27,835,600	\$31,278,000	\$115,393,400
<b>Total Administration Costs</b>	\$2,594,600	\$1,984,800	\$2,052,400	\$2,103,600	\$8,735,400
10% Administrative Cap	\$3,399,100	\$2,854,200	\$3,092,800	\$3,475,300	\$12,821,400
<b>ESI Demonstration Pilot</b>	\$0	\$218,400	\$621,600	\$1,020,400	\$1,860,400
<b>Total Benefit Costs</b>	\$33,186,700	\$27,890,900	\$30,509,600	\$34,402,000	\$125,989,200
Federal Share	\$25,334,700	\$21,208,200	\$23,196,400	\$26,155,800	\$95,895,100
State Share	\$7,852,000	\$6,682,700	\$7,313,200	\$8,246,200	\$30,094,100
<b>TOTAL COSTS FOR DEMONSTRATION</b>	\$33,186,700	\$27,890,900	\$30,509,600	\$34,402,000	\$125,989,200
<b>TOTAL PROGRAM FEDERAL</b>	\$119,366,900	\$111,321,900	\$117,845,800	\$130,675,300	\$479,209,900
<b>TOTAL PROGRAM STATE</b>	\$36,995,300	\$35,077,300	\$37,153,400	\$41,198,100	\$150,424,100
<b>TOTAL PROGRAM COSTS</b>	\$156,362,200	\$146,399,200	\$154,999,200	\$171,873,400	\$629,634,000
<b>ALLOTMENT less TOTAL FEDERAL PROGRAM COSTS</b>	\$56,307,200	\$116,185,300	\$169,539,500	\$210,064,200	\$210,064,200
<b>REVERTMENTS</b>	\$0	\$0	\$0	\$0	\$0
<b>NET CARRY OVER AMOUNTS</b>	\$56,307,200	\$116,185,300	\$169,539,500	\$210,064,200	\$210,064,200

**CMS Title XXI Template FFY08 - FFY11**

**NOTES & ASSUMPTIONS:**

- 1) Allotment for FFY09-FFY11 of \$171,200,000 from Congressional Research Service, "Projections of FY2009 Federal SCHIP Allotments Under CHIPRA 2009", January 14, 2009.
- 2) Expenditures for the approved SCHIP plan and the SCHIP Parent program are based on actuals through September 2008. Thereafter, the forecast assumptions are as follows:
- 3) SCHIP Children Annual population - Growth up to May 2009, then flat through June 2010 due to implementation of higher premiums. Thereafter, growth of 5.5% through the end of FFY 2011.
- 4) SCHIP Parents Annual population - Growth up to May 2009, then flat through June 2010 due to implementation of higher premiums. Thereafter, growth of 5.5% through the end of FFY 2011.
- 5) Medical inflation for Capitation, Reinsurance, BH, and CRS 6.00%
- 6) Medical inflation for FFS 4.20%
- 7) Administrative Expenditure growth 2.50%
- 8) Premiums:

KidsCare		
Coverage Group	Current through April 09	May 09 - Sept 2011
One child 100% - 150% FPL	\$10.00	\$10.00
Two or more 100% - 150% FPL	\$15.00	\$15.00
One child 150% - 175% FPL	\$20.00	\$40.00
Two or more 150% - 175% FPL	\$30.00	\$60.00
One child 175% - 200% FPL	\$25.00	\$50.00
Two or more 175% - 200% FPL	\$35.00	\$70.00

  

HIFA Parents		
Coverage Group	Current through April 09	May 09 - Sept 2011
100% - 150% FPL	3% of Income	3% of Income
150% - 175% FPL	4% of Income	5% of Income
175% - 200% FPL	5% of Income	5% of Income

- 9) FFY09 total available assumes a \$56,307,200 carry forward from FFY08.
- 10) The FFY10 SCHIP FMAP of 76.03% is held constant over the remaining periods.
- 11) State Match for Title XXI is from the State General Fund

- 12) Projected September Enrollments are as follows:

	KidsCare	ESI	Total Children	Parents
September-08	65,483	-	65,483	10,108
September-09	65,839	336	66,175	10,065
September-10	66,726	672	67,398	10,200
September-11	70,396	1,000	71,396	10,760
September-12	74,268	1,000	75,268	11,351
Sept. over Sept. Growth Rates				
September-09	0.5%	0.0%	1.1%	-0.4%
September-10	1.3%	100.0%	1.8%	1.3%
September-11	5.5%	48.8%	5.9%	5.5%
September-12	5.5%	0.0%	5.4%	5.5%